

COVINGTON TOWNSHIP
BARAGA COUNTY, MICHIGAN

FINANCIAL STATEMENTS
AND
ADDITIONAL INFORMATION

FOR THE YEAR ENDED JUNE 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name COVINGTON TOWNSHIP	County BARAGA
Fiscal Year End JUNE 30, 2006	Opinion Date OCTOBER 11, 2006	Date Audit Report Submitted to State DECEMBER 20, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

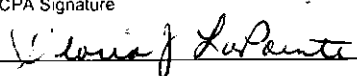
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) COWELL & LAPOINTE, PC		Telephone Number 906-228-5150		
Street Address 101 S. FRONT ST., STE. 309		City MARQUETTE	State MI	Zip 49855
Authorizing CPA Signature 	Printed Name GLORIA J. LAPOINTE		License Number A261885	

REPORT CONTENTS

	<u>Page</u>
FINANCIAL STATEMENTS	
Independent auditor's report	1
Independent auditor's report on internal control & compliance	3
Basic financial statements	
District-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet- governmental funds	7
Reconciliation of governmental fund balances to governmental net assets	8
Statement of revenue, expenditures and changes in fund balances - governmental funds	9
Reconciliation of the statement of revenue, expenditures and changes in fund balances of governmental funds to the statement of activities	10
Fiduciary funds:	
Statement of fiduciary net assets	11
Notes to financial statements	12
Required supplemental information	
Budgetary comparison schedule – general fund	21
Budgetary comparison schedule – major special revenue funds	22

REPORT CONTENTS - Continued

	<u>Page</u>
FINANCIAL STATEMENTS	
Other supplemental information	
General fund:	
Schedule of revenues – budget and actual	24
Schedule of expenditures – budget and actual	25
Special revenue funds:	
Statement of revenue, expenditures and changes in fund balances – budget and actual	28
Trust and agency funds:	
Combining statement of changes in assets and liabilities	29
Property tax data	30

COWELL & LaPOINTE, PC

CERTIFIED PUBLIC ACCOUNTANTS
GLORIA J. LaPOINTE, CPA, CFP
MICHAEL R. CHESLA, CPA
TERI L. CHESLA, CPA

101 SOUTH FRONT STREET
SAVINGS BANK BUILDING, SUITE 309
MARQUETTE, MICHIGAN 49855
906-228-5150

Board of Trustees
Covington Township
Baraga County, Michigan

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Covington Township, as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's Board. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Covington Township as of June 30, 2006 and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT – Continued

In accordance with Government Auditing Standards, we have also issued our report dated October 11, 2006, on our consideration of Covington Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Covington Township's basic financial statements. The accompanying required supplemental information and other supplemental information, as identified in the table of contents, are not a required part of the basic financial statements. The required supplemental information is information required by the Governmental Accounting Standards Board; the other supplemental information is presented for the purpose of additional analysis. The required supplemental information and the other supplemental information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. Covington Township has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Cowell & Roberts, PC
Certified Public Accountants
Marquette, Michigan

October 11, 2006

COWELL & LaPOINTE, PC

CERTIFIED PUBLIC ACCOUNTANTS
GLORIA J. LaPOINTE, CPA, CFP
MICHAEL R. CHESLA, CPA
TERI L. CHESLA, CPA

101 SOUTH FRONT STREET
SAVINGS BANK BUILDING, SUITE 309
MARQUETTE, MICHIGAN 49855
906-228-5150

Board of Trustees
Covington Township
Baraga County, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Covington Township as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents and have issued our report thereon dated October 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether Covington Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Covington Township in a separate letter dated October 11, 2006.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Covington Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Covington Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition follows:

- The limited staff of the Township does not permit adequate segregation of duties.

AUDITOR'S COMPLIANCE LETTER – Continued

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amount that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to the management of Covington Township, in a separate letter dated October 11, 2006.

This report is intended solely for the information of Covington Township management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

Cowell & Halpern PC
Certified Public Accountants
Marquette, Michigan

October 11, 2006

COVINGTON TOWNSHIP
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities
Assets	
Cash	\$ 331,842
Accounts receivable	17,161
Prepaid expenditures	210
Capital assets - less accumulated depreciation of \$310,657	<u>568,484</u>
Total assets	<u>\$ 917,697</u>
Liabilities	
Accounts payable	\$ 18,227
Accrued payroll, withholdings and benefits	<u>1,114</u>
Total liabilities	<u>19,341</u>
Net Assets	
Investment in capital assets - net of related debt	568,484
Unrestricted	<u>329,872</u>
Total net assets	<u>898,356</u>
Total liabilities and net assets	<u>\$ 917,697</u>

See accompanying notes to financial statements.

COVINGTON TOWNSHIP

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenue		Governmental Activities
		Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental Activities:				
Legislative	\$ 6,530	\$	\$	\$ (6,530)
General government	97,507	2,685		(94,822)
Public safety	17,204	1,000	990	(15,214)
Public works	57,168	29,223		(27,945)
Health and welfare	26,496	9,016	5,005	(12,475)
Culture and recreation	19,137			(19,137)
Community/economic development	194			(194)
Total Governmental Activities	\$ 224,236	\$ 41,924	\$ 5,995	(176,317)
General Revenues:				
Taxes:				
Property taxes				42,702
Commercial forest act				7,195
Swamp and national forest tax				32,171
Penalty, interest and fees on taxes				4,865
State-shared revenues				40,486
Cemetery lot sales				1,400
Interest and rentals				8,253
Other				5,471
Total general revenues				142,543
Change in Net Assets				(33,774)
Net Assets - July 1, 2005				932,130
Net Assets - June 30, 2006				\$ 898,356

See accompanying notes to financial statements.

COVINGTON TOWNSHIP

**GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2006**

	<u>General Fund</u>	<u>Ambulance and Fire Fund</u>	<u>Recreation Fund</u>	<u>Nonmajor- Liquor Law Fund</u>	<u>Total Governmental Funds</u>
Assets					
Cash	\$ 227,855	\$ 82,760	\$ 15,003	\$ 6,224	\$ 331,842
Receivables:					
Accrued interest	860				880
Accounts receivable	6,741	7,651	854		15,246
Due from tax fund	357	342	356		1,055
Prepaid expenditures			210		210
Total assets	<u><u>\$ 235,813</u></u>	<u><u>\$ 90,753</u></u>	<u><u>\$ 16,423</u></u>	<u><u>\$ 6,224</u></u>	<u><u>\$ 349,213</u></u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 9,350	\$ 2,367	\$ 5,609	\$ 901	\$ 18,227
Accrued payroll benefits	1,114				1,114
Total liabilities	<u>10,464</u>	<u>2,367</u>	<u>5,609</u>	<u>901</u>	<u>19,341</u>
Fund Balances					
Unreserved	225,349	88,386	10,604	5,323	329,662
Reserved			210		210
Total fund balances	<u>225,349</u>	<u>88,386</u>	<u>10,814</u>	<u>5,323</u>	<u>329,872</u>
Total liabilities and fund balances	<u><u>\$ 235,813</u></u>	<u><u>\$ 90,753</u></u>	<u><u>\$ 16,423</u></u>	<u><u>\$ 6,224</u></u>	<u><u>\$ 349,213</u></u>

See accompanying notes to financial statements.

COVINGTON TOWNSHIP

**RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO
GOVERNMENTAL NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2006**

Total Governmental Fund Balances		\$	329,872
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds.			
The cost of the capital assets is	\$	879,141	
Accumulated depreciation is		<u>(310,657)</u>	<u>568,484</u>
 Net assets of governmental activities			 <u>\$</u> <u>898,356</u>

See accompanying notes to financial statements.

COVINGTON TOWNSHIP

GOVERNMENTAL FUNDS STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2006

	General	Ambulance and Fire	Recreation	Nonmajor- Liquor Law	Totals
Revenues					
Taxes	\$ 54,068	\$ 15,778	\$ 17,087	\$	\$ 86,933
Licenses and permits	2,685				2,685
State grants	40,466			990	41,476
Charges for services	29,223	10,016			39,239
Contributions and grants		5,005			5,005
Interest and rentals	6,952		1,301		8,253
Cemetery lot sales	1,400				1,400
Other	4,417		1,054		5,471
Total revenues	139,231	30,799	19,442	990	190,462
Expenditures					
Current					
Legislative	6,178				6,178
General government	74,256				74,256
Public safety	3,319	11,152		1,995	16,466
Public works	57,154				57,154
Health and welfare		18,194			18,194
Culture and recreation			18,714		18,714
Community/economic development	187				187
Other	10,374				10,374
Total expenditures	151,466	29,346	18,714	1,995	201,523
Net Change in Fund Balances	(12,237)	1,453	728	(1,005)	(11,061)
Fund Balances - July 1, 2005	237,586	86,933	10,086	6,328	340,933
Fund Balances - June 30, 2006	\$ 225,349	\$ 88,386	\$ 10,814	\$ 5,323	\$ 329,872

See accompanying notes to financial statements.

COVINGTON TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

Net Change in Fund Balances - Total Governmental Funds **\$ (11,061)**

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures; in the
statement of activities, these costs are allocated over their
estimated useful lives as depreciation

Depreciation expense	\$ 34,580	
Capital outlay	<u>(11,867)</u>	<u>22,713</u>

Change in Net Assets of Governmental Activities **\$ (33,774)**

See accompanying notes to financial statements.

COVINGTON TOWNSHIP
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2006

	Agency Fund Type- Property Tax Collection Fund
Assets	
Cash	\$ 1,055
Liabilities	
Due to general fund	357
Due to ambulance/fire fund	342
Due to recreation fund	356
Total liabilities	1,055
Net Assets	\$

See accompanying notes to financial statements.

COVINGTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Covington Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the District:

In 2004, Covington Township implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB Statement No. 34), GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus* which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38, *Certain Financial Statement Disclosures* which changes note disclosure requirements for governmental entities.

GASB Statement No. 34 established a new financial reporting model for state and local governments that included the addition of management’s discussion and analysis, district-wide financial statements, required supplementary information and the elimination of the effects of internal service activities and the use of account groups to the already required fund financial statements and notes.

The GASB determined that fund accounting has and will continue to be essential in helping governments to achieve fiscal accountability and should, therefore, be retained. The GASB also determined that district-wide financial statements are needed to allow users of financial reports to assess a government’s operational accountability. The new GASB model integrates fund-based financial reporting and district-wide financial reporting as complementary components of a single comprehensive financial reporting model.

Reporting Entity

Covington Township is governed by an elected five-member Board of Trustees and provides services for about 650 residents, which includes fire and ambulance protection and garbage collection. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Reporting Entity - Continued

significant operational financial relationships that determine which of the governmental organizations are a part of the Township's reporting entity, and which organizations are legally separate, component units of the Township. Based on the application of the criteria, the Township does not contain any component units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Government-Wide Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Based Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures related to compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, state-shared revenue and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Covington Township reports two major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The Ambulance and Fire Fund accounts for all of the activities of the Township's fire and ambulance services.

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation - Continued

Fund Based Statements – Continued

The Recreation Fund accounts for funds raised by a tax levy for the purpose of providing park or recreation activities.

Additionally, the Township reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. They are used to segregate the transaction of particular activities from regular revenue and expenditure accounts.

Assets, Liabilities, and Net Assets or Equity

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled interest income from the Ambulance and Fire Fund, Recreation Fund, and Liquor Law Enforcement Fund is allocated to the General Fund.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “advances to/from other funds.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. The Township property tax is levied, due, and becomes a lien each December 1st on the basis of the taxable value of property located in the Township as of the preceding December 31st. If the Township's real property taxes are not collected by the Township Treasurer by March 1st of the year subsequent to levy, Baraga County will pay the Township the remaining balance owing on these taxes. The ultimate collection of personal property taxes is the responsibility of the Township.

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Inventories and Prepaid Costs – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and other additions	20-50 years
Furniture and other equipment	5-20 years
Vehicles	10 years

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data/Reclassifications – Comparative data is not included in the Township's financial statements.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2006

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - Continued

Budgetary Information – Continued

Prior to the beginning of the fiscal year, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1st. A public hearing is then conducted to obtain taxpayer comments. Prior to July 1st, the budget is legally enacted by resolution.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the Township to have its budget in place by July 1st. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits townships to amend their budgets during the year. The Township did not amend budgeted amounts during the year. The budgets are presented in the other supplemental information.

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, Covington Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Variance</u>
General Fund-Legislative	\$ 6,135	\$ 6,178	\$ 43
-Clerk	5,606	5,707	101
-External audit	2,500	2,730	230
-Treasurer	6,656	6,888	232
-Elections	250	1,251	1,001
-Cemetery	5,300	5,406	106
-Public safety	2,750	3,319	569
Recreation Fund	14,450	18,714	4,264
Liquor Law Enforcement Fund	900	1,995	1,095

NOTE C – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91 authorizes Covington Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2006

NOTE C - DEPOSITS AND INVESTMENTS - Continued

States, or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township considers highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

All investments are put in federally insured bank accounts subject to the FDIC insurance limit of \$100,000 per account. The cash from all funds was maintained in a common, interest bearing checking account except for the tax collection which had its own checking account. The interest in the common bank account was allocated to the General Fund. In addition there was a certificate of deposit and savings account for the General Fund.

The investment policy adopted by the board in accordance with Act 20 PA 1943 is in accordance with state statutory authority.

Michigan law (Section 3, Act 40, PA 1932, as amended) prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

At year-end, the Township's deposits and investments were reported in the basic financial statements as cash and cash equivalents as follows:

Governmental activities	\$331,842
Fiduciary funds	<u>1,055</u>
Total	<u>\$332,897</u>

All of the funds are invested in checking, savings, and certificate of deposit accounts.

The deposits of Covington Township were reflected in the accounts of bank and credit union deposits at \$333,788, of which \$200,000 was covered by federal depository insurance and \$133,788 was uninsured and uncollateralized.

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued
JUNE 30, 2006

NOTE D – CAPITAL ASSETS

Capital asset activity of the Township's Governmental activities was as follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2006</u>
Capital assets not being depreciated				
Land	\$ 10,000	\$	\$	\$ 10,000
Building	<u>13,507</u>	<u>2,168</u>	<u><13,507></u>	<u>2,168</u>
Subtotal	23,507	2,168	<13,507>	12,168
Capital assets being depreciated				
Land improvements	5,732			5,732
Buildings	658,643	21,871		680,514
Office equipment	7,052	1,335		8,387
Equipment	87,200			87,200
Vehicles	<u>85,140</u>	<u> </u>	<u> </u>	<u>85,140</u>
Subtotal	843,767	23,206		866,973
Accumulated depreciation				
Land improvements	32	382		414
Building	202,818	18,982		221,800
Office equipment	1,374	2,157		3,531
Equipment	46,311	4,545		50,856
Vehicles	<u>25,542</u>	<u>8,514</u>	<u> </u>	<u>34,056</u>
Subtotal	<u>276,077</u>	<u>34,580</u>	<u> </u>	<u>310,657</u>
Net capital assets being depreciated	<u>567,690</u>	<u><11,374></u>	<u> </u>	<u>556,316</u>
Governmental activities - total capital assets				
- net of depreciation	<u>\$591,197</u>	<u>\$<9,206></u>	<u>\$<13,507></u>	<u>\$568,484</u>

COVINGTON TOWNSHIP

NOTES TO FINANCIAL STATEMENTS – Continued JUNE 30, 2006

NOTE D – CAPITAL ASSETS – Continued

Depreciation expense was charged to activities of the Township as follows:

Governmental activities:	
General government	\$23,205
Public safety	103
Culture and recreation	2,219
Health and welfare	<u>9,053</u>
Total governmental activities	<u>\$34,580</u>

NOTE E – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employees injuries (workers compensation). The Township maintains insurance coverage through the Michigan Township Participating Plan. This Plan operates as an insurance purchasing pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three years.

NOTE F – DEFINED CONTRIBUTION PLAN

Plan Description – The Township has a defined contribution retirement plan administered by Municipal Retirement Systems, Inc., which covers substantially all employees except appointed boards, commissions, and part-time or seasonal employees.

Funding Policy - The plan, which qualifies under Internal Revenue Code Section 401 (a), is funded by contributions from the employer and employee, who each contribute five percent of an employee's annual compensation. Employees are vested 100% upon entering the plan and must be 18 years old.

Contributions by the employer and employee were ten percent of covered payroll for the year ending June 30, 2006. This reflects contributions of \$2,224 for the calendar year 2005 based on total payroll of \$42,666 and covered payroll of \$22,206.

REQUIRED SUPPLEMENTAL INFORMATION

COVINGTON TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2006

	Original and Final Budget	Actual	Over (Under) Final Budget
Revenues:			
Taxes	\$ 25,376	\$ 54,068	\$ 28,692
Licenses and permits	2,800	2,685	(115)
State grants	61,650	40,486	(21,164)
Charges for services	29,500	29,223	(277)
Interest and rentals	1,600	6,952	5,352
Cemetery lot sales	1,000	1,400	400
Other revenue		4,417	4,417
Total revenues	121,926	139,231	17,305
Expenditures:			
Legislative	6,135	6,178	43
General Government:			
Supervisor	5,717	5,317	(400)
Clerk	5,606	5,707	101
External audit	2,500	2,730	230
Board of review	1,350	1,225	(125)
Treasurer	6,656	6,888	232
Assessor/equalization	8,300	6,891	(1,409)
Elections	250	1,251	1,001
Township hall and other property	59,147	38,841	(20,306)
Cemetery	5,300	5,406	106
Public Safety:			
Inspections	2,750	3,319	569
Public Works:			
Highways, streets and lighting	19,800	18,894	(906)
Sanitation	38,400	38,260	(140)
Community and Economic Development:			
Zoning	300	187	(113)
Other	13,852	10,374	(3,478)
Total expenditures	176,063	151,468	(24,595)
Net Change in Fund Balance	(54,137)	(12,237)	41,900
Fund Balance - July 1, 2005	237,586	237,586	
Fund Balance - June 30, 2006	\$ 183,449	\$ 225,349	\$ 41,900

COVINGTON TOWNSHIP

**REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Ambulance and Fire Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues			
Taxes-Current tax collections	\$ 14,201	\$ 13,468	\$ (733)
-Commercial forest reserve	900	2,310	1,410
Ambulance services	13,150	9,016	(4,134)
Fire services	1,000	1,000	
Contributions	3,000	5,005	
	<hr/>	<hr/>	<hr/>
Total revenues	32,251	30,799	(1,452)
Expenditures			
Ambulance			
Salaries and wages	5,100	4,129	(971)
Training and renewals	800	400	(400)
Office supplies	200	35	(165)
Telephone	1,400	1,052	(348)
Pagers	450	50	(400)
Mileage	975	909	(66)
Insurance	4,500	4,500	
Utilities	1,650	2,062	412
Repairs & maintenance-vehicle	500	1,796	1,296
-building	500	414	(86)
Capital outlay	3,000	1,335	(1,665)
Miscellaneous		148	148
Supplies	1,100	1,364	264
Fire			
Salaries and wages	1,500	1,333	(167)
Supplies	500	578	78
Telephone	875	1,298	423
Pagers	400		(400)
Mileage	450	799	349
Insurance	4,500	4,500	
Utilities	1,650	2,062	412
Repairs & maintenance-vehicle	1,500	41	(1,459)
-building	500	420	(80)
Training	100	121	21
Capital outlay	36,000		(36,000)
	<hr/>	<hr/>	<hr/>
Total expenditures	68,150	29,346	38,804
Net Change in Fund Balance	(35,899)	1,453	37,352
Fund Balance - July 1, 2005	86,933	86,933	
	<hr/>	<hr/>	<hr/>
Fund Balance - June 30, 2006	\$ 51,034	\$ 88,386	\$ 37,352
	<hr/>	<hr/>	<hr/>

COVINGTON TOWNSHIP

REQUIRED SUPPLEMENTAL INFORMATION BUDGETARY COMPARISON SCHEDULE MAJOR SPECIAL REVENUE FUND FOR THE YEAR ENDED JUNE 30, 2006

	Recreation Fund		
	Budget	Actual	Over (Under) Budget
Revenues			
Taxes-Current tax collections	\$ 14,201	\$ 14,611	\$ 410
-Commercial forest reserve	900	2,476	1,576
Rent and reimbursements	600	1,301	701
Other	500	1,054	554
Total revenues	16,201	19,442	(3,241)
Expenditures			
Recreation			
Salaries and wages	3,200	3,953	753
Contract mowing	2,550	1,512	(1,038)
July 4th	3,050	3,522	472
Miscellaneous	500	1,101	601
Utilities	1,200	1,280	80
Repairs & maintenance-equipment	1,200	2,194	994
-building	2,750	2,557	(193)
Supplies		427	427
Capital outlay		2,168	2,168
Total expenditures	14,450	18,714	4,264
Net Change in Fund Balance	1,751	728	(1,023)
Fund Balance - July 1, 2005	10,086	10,086	
Fund Balance - June 30, 2006	<u>\$ 11,837</u>	<u>\$ 10,814</u>	<u>\$ (1,023)</u>

OTHER SUPPLEMENTAL INFORMATION

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND**

**SCHEDULE OF REVENUES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>Over (Under) Budget</u>	<u>2005 Actual</u>
Revenues				
Taxes				
Current tax levy	\$ 14,201	\$ 14,623	\$ 422	\$ 13,000
Penalties, interest and fees on taxes	5,275	4,865	(410)	5,383
Swamp and national forest tax	5,000	32,171	27,171	31,830
Commercial forest reserve	900	2,409	1,509	1,675
Licenses and permits	2,800	2,685	(115)	5,866
State grants				
State revenue sharing	61,650	40,486	(21,164)	40,384
Charges for services	29,500	29,223	(277)	30,479
Interest and rentals	1,600	6,952	5,352	8,312
Cemetery lot sales	1,000	1,400	400	1,550
Other revenue	<u> </u>	<u>4,417</u>	<u>4,417</u>	<u>1,383</u>
Total revenues	<u>\$ 121,926</u>	<u>\$ 139,231</u>	<u>\$ 17,305</u>	<u>\$ 139,862</u>

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>Over (Under) Budget</u>	<u>2005 Actual</u>
Legislative				
Salaries	\$ 3,600	\$ 3,464	\$ (136)	\$ 3,299
Other	2,535	2,714	179	3,558
Capital outlay				1,077
Total legislative	<u>6,135</u>	<u>6,178</u>	<u>43</u>	<u>7,934</u>
General Government				
Executive - supervisor				
Salaries	5,317	5,317		5,064
Other	<u>400</u>		<u>(400)</u>	<u>140</u>
Total executive	<u>5,717</u>	<u>5,317</u>	<u>(400)</u>	<u>5,204</u>
Clerk				
Salaries	5,206	5,197	(9)	4,971
Other	<u>400</u>	<u>510</u>	<u>110</u>	<u>206</u>
Total clerk	<u>5,606</u>	<u>5,707</u>	<u>101</u>	<u>5,177</u>
External audit				
Other	<u>2,500</u>	<u>2,730</u>	<u>230</u>	<u>2,630</u>
Board of review				
Salaries	1,100	961	(139)	1,044
Other	<u>250</u>	<u>264</u>	<u>14</u>	<u>236</u>
Total board of review	<u>1,350</u>	<u>1,225</u>	<u>(125)</u>	<u>1,280</u>

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - Continued
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>Over (Under) Budget</u>	<u>2005 Actual</u>
General Government (Continued)				
Treasurer				
Salaries	\$ 5,206	\$ 5,197	\$ (9)	\$ 4,949
Other	1,450	1,691	241	3,166
Capital outlay				2,195
Total treasurer	<u>6,656</u>	<u>6,888</u>	<u>232</u>	<u>10,310</u>
Assessor/equalization				
Salaries	4,800	4,400	(400)	3,635
Other	3,500	2,491	(1,009)	1,077
Capital outlay				2,395
Total assessor/equalization	<u>8,300</u>	<u>6,891</u>	<u>(1,409)</u>	<u>7,107</u>
Elections				
Salaries	100	706	606	870
Other	150	545	395	837
Total elections	<u>250</u>	<u>1,251</u>	<u>1,001</u>	<u>1,707</u>
Township hall and other property				
Salaries	3,200	3,497	297	3,570
Other	53,447	26,980	(26,467)	16,804
Capital outlay	2,500	8,364	5,864	20,546
Total township hall and other property	<u>59,147</u>	<u>38,841</u>	<u>(20,306)</u>	<u>40,920</u>
Cemetery				
Salaries	1,200	1,376	176	1,670
Other	4,100	4,030	(70)	3,615
Total cemetery	<u>5,300</u>	<u>5,406</u>	<u>106</u>	<u>5,285</u>
Total general government	<u>94,826</u>	<u>74,256</u>	<u>(20,570)</u>	<u>79,620</u>

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
GENERAL FUND**

**SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL - Continued
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>2006 Budget</u>	<u>2006 Actual</u>	<u>Over (Under) Budget</u>	<u>2005 Actual</u>
Public Safety				
Building and electrical inspections				
Salaries	\$ 2,200	\$ 2,638	\$ 438	\$ 1,476
Other	550	681	131	910
Total public safety	<u>2,750</u>	<u>3,319</u>	<u>569</u>	<u>2,386</u>
Public Works				
Highways, streets, lighting - other	<u>19,800</u>	<u>18,894</u>	<u>(906)</u>	<u>16,797</u>
 Sanitation				
Salaries	500	182	(318)	502
Other	<u>37,900</u>	<u>38,078</u>	<u>178</u>	<u>34,782</u>
Total sanitation	<u>38,400</u>	<u>38,260</u>	<u>(140)</u>	<u>35,284</u>
Total public works	<u>58,200</u>	<u>57,154</u>	<u>(1,046)</u>	<u>52,081</u>
Community and Economic Development				
Zoning				
Salaries	300	87	(213)	208
Other		<u>100</u>	<u>100</u>	<u>90</u>
Total community and economic development	<u>300</u>	<u>187</u>	<u>(113)</u>	<u>298</u>
Other				
Insurance	4,500	7,179	2,679	7,132
FICA, Retirement	4,352	3,062	(1,290)	1,928
Other	<u>5,000</u>	<u>133</u>	<u>(4,867)</u>	
Total other	<u>13,852</u>	<u>10,374</u>	<u>(3,478)</u>	<u>9,060</u>
Total expenditures	<u>\$ 176,063</u>	<u>\$ 151,468</u>	<u>\$ (24,595)</u>	<u>\$ 151,379</u>

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
SPECIAL REVENUE FUND-LIQUOR LAW ENFORCEMENT FUND
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues			
State grants	<u>\$ 1,000</u>	<u>\$ 990</u>	<u>\$ (10)</u>
Total revenues	1,000	990	(10)
Expenditures			
Liquor law enforcement			
Salaries and contractual	<u>900</u>	<u>1,995</u>	<u>1,095</u>
Total expenditures	<u>900</u>	<u>1,995</u>	<u>1,095</u>
Net Change in Fund Balance	100	(1,005)	(1,105)
Fund Balance - July 1, 2005	<u>6,328</u>	<u>6,328</u>	
Fund Balance - June 30, 2006	<u><u>\$ 6,428</u></u>	<u><u>\$ 5,323</u></u>	<u><u>\$ (1,105)</u></u>

COVINGTON TOWNSHIP

**OTHER SUPPLEMENTAL INFORMATION
ALL AGENCY FUNDS**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2006**

Tax Collection Fund

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2006</u>
Assets				
Cash	<u>\$ 1,131</u>	<u>\$ 244,435</u>	<u>\$ 244,511</u>	<u>\$ 1,055</u>
Liabilities				
Interfund payables	<u>\$ 1,131</u>	<u>\$ 43,063</u>	<u>\$ 43,139</u>	<u>\$ 1,055</u>
Due to other governmental units		<u>201,372</u>	<u>201,372</u>	
Total liabilities	<u>\$ 101</u>	<u>\$ 244,435</u>	<u>\$ 244,511</u>	<u>\$ 1,055</u>

COVINGTON TOWNSHIP
OTHER SUPPLEMENTAL INFORMATION
PROPERTY TAX DATA
FOR THE YEAR ENDED JUNE 30, 2006

2005 Taxable Valuation--\$14,279,286

2005 Tax Levy	<u>Mills</u>	<u>Collections</u>
General	0.9591	\$ 14,617
Recreation	1.0000	14,605
Ambulance/Fire	<u>0.9195</u>	<u>13,463</u>
Total	<u><u>2.8786</u></u>	<u><u>\$ 42,685</u></u>

COWELL & LaPOINTE, PC

CERTIFIED PUBLIC ACCOUNTANTS

GLORIA J. LaPOINTE, CPA, CFP

MICHAEL R. CHESLA, CPA

TERI L. CHESLA, CPA

101 SOUTH FRONT STREET
SAVINGS BANK BUILDING, SUITE 309
MARQUETTE, MICHIGAN 49855
906-228-5150Board of Trustees
Covington Township
Baraga County, Michigan**MANAGEMENT LETTER ON ANNUAL REPORT**

In connection with the examination of the financial statements of Covington Township for the year ended June 30, 2006, we submit the following comments and recommendations:

BUDGETS

Public Act 621 of 1978, as amended, requires that budgets should be amended prior to the expenditures being made. As indicated in Note B to the financial statements, there was overspending in the General Fund, Recreation Fund and Liquor Law Enforcement Fund. Your expenditures should be monitored on a monthly or at least, quarterly, basis with your budget and the budget should be amended to prevent overspending.

ACCOUNTING

Uniform Chart of Accounts: GASB No. 34 requires insurance and employee benefits to be allocated to the appropriate function if they are recorded in the functions of 851-899. Therefore, insurance, social security and Medicare, and workers compensation insurance breakdowns need to be made available by function if you continue to record these items in functions 851-899. It may be more practical to allocate these expenses at the end of the fiscal year. Please refer to the Uniform Chart of Accounts for Counties and Local Units of Government located on the Michigan Department of Treasury website (www.michigan.gov/treasury) under the local government section for guidance in setting up any new functional expenses.

Account Classifications: The examination of transactions indicated several receipts and disbursements misclassified in your accounting program. Please review the accounts being used when recording transactions to provide more accuracy in recording transactions. Capital assets should be recorded as capital outlay or equipment and not included under maintenance and repairs or supplies.

MANAGEMENT LETTER ON ANNUAL REPORT - Continued
Page Two

ACCOUNTING - Continued

Monitoring of Disbursements: Your canceled checks are no longer being returned from the bank. It becomes even more important that check signers examine the invoice before signing the check and make sure it agrees to the list of checks that the Board approves. The QuickBooks program allows someone to change check information after it has been printed so the Board needs to take extra care when approving disbursements.

Employee payroll: Time sheets for employee hours should be completed on a daily basis versus a period of time. While examining an employee's payroll we could not determine whether pay was for the current or subsequent fiscal year.

A review of Form W-3 for 2005 indicated state wages were listed as \$41,487.53. The amount should be \$42,666.39 which is the same for federal wages. You may want to check individual employee records for employees that may not have withholding for state purposes which could be causing the lower amount for state wages.

We appreciate the cooperation of Township personnel in completing the audit. If we can be of assistance in the implementation of these recommendations or any other services as they may arise, please contact us.

Council & Rapente PC
Certified Public Accountants

October 11, 2006